

INSTRUCTIONS FOR COMPLETING THE ENVIRONMENTAL QUESTIONNAIRE

This questionnaire is to be completed by the bank and the borrower together. Due to the strict nature of current environmental laws, it is best for both the bank and the borrower to discover and deal with any potential problems prior to the loan being disbursed. This questionnaire must be finished by answering all of the questions and must include any other relevant information discovered or known by the bank or the borrower. The bank and the borrower need to specifically state the efforts that were made and the actions taken in discovering information necessary to answer the questions presented.

PRIOR to first disbursement, the bank must make a field visit to the property. The bank and borrower must complete and submit to SBA an environmental questionnaire. The bank may use the questionnaire provided by SBA or it may use its own form. Use of an environmental questionnaire consistent with the standard issued by the American Society for Testing and Materials is satisfactory to SBA. The questionnaire must be completed in a manner satisfactory to the bank and SBA. After the questionnaire is submitted, the bank and SBA may require additional testing to their satisfaction.

Both the bank and the borrower must sign the questionnaire. The borrower signs the acknowledgement and the bank signs and makes a recommendation. The bank needs to recommend whether or not further environmental review is needed. No further environmental review is needed if the bank can state that there is a "reasonable and prudent belief that there is no contamination." Otherwise, additional environmental investigation will be needed.

It may be necessary for additional sheets of paper to be attached to the questionnaire to adequately answer all of the questions.

1. In answering Question #1, the bank should obtain information from the previous **and** current owners of the property as to whether any of the operations used or currently involve the use of toxic chemicals or other hazardous substances. This question also refers to the planned uses of the property. It must be indicated here if the proposed owner is going to be using any hazardous substances.

If your investigation of the prior and current uses of the property indicate flammable liquids were/are stored on the premises, the State Fire Marshal would have regulatory authority and should be contacted to see if there were any prior/current violations concerning the property and if proper permits were/are in place. It is important to look at the history of the property further back than just the prior landowner, especially if that prior landowner has owned the property for ten years or less. The local Register of Deeds can provide a history of the ownership of the property. This will ensure that the property was not used as a landfill years ago and then used for some other purpose after the landfill was closed.

2. The purpose of this question is to determine the **prior, current, and planned uses of the adjoining properties** because those properties may have an adverse effect upon the property being purchased or owned by the applicant. This is especially true if there are hazardous substances that may be migratory and travel through groundwater, or less possibly, air. At the time that the inquiry is made on Question #1 to the various sources of information such as the State Fire Marshal or the Register of Deeds to provide a history of ownership, the history and planned uses of the adjoining properties it should also be determined. Discussions with the current or prospective owners of the adjoining property as well as a visual examination of the properties can help identify or verify the use of the property. The information obtained by the bank and the borrower should be documented as part of the questionnaire. This should include names and addresses of businesses of the adjoining properties.
3. Question #3 requires a visual inspection of the property, preferably accompanied by the current owners. When making the observations required in Question #3, if any of the observations show that hazardous substances or chemicals are or were used on the premises or if the questions are answered yes, please

describe what chemicals, waste piles, oily films on water, etc. as completely as possible. If chemicals are used in the operation of the facility, please state what types of chemicals and the amounts thereof.

4. In determining that the applicant has all relevant environmental permits and/or notifications in place, do not just ask the applicant if the permits and/or notifications are in place but obtain copies of the permits and/or notifications and attach them to the questionnaire. If the applicant is involved in an operation which uses chemicals that are hazardous or potentially hazardous substances, you should contact NDEQ, EPA or the State Fire Marshal, where appropriate, to determine that the necessary environmental permits/or notifications for an entity using or storing or disposing any hazardous substance have been obtained. If the permits and/or notifications have not been obtained that should be duly noted in answering the questionnaire.
5. The purpose of this question is to determine whether the facility has ever been involved in citations, claims, complaints, notices of violations or any environmental cleanup actions. Please give a complete description of any citations, claims, complaints, notices of violations or any cleanup actions the facility has **ever** been involved in.
6. This question asks for more detail about the subject property and adjoining properties and whether the properties have been used for industrial, manufacturing, refining, processing, or agricultural purposes. Please describe the nature of the use of the property and adjacent properties. If this question has been fully answered by the responses in Questions #1 and #2, you may merely refer to the answers in Questions #1 and #2. The purpose of this question is to obtain more information and to require information that may not have been covered in the answers in Questions #1 and #2.
7. This question requires the date of the last transfer of ownership of the subject property and if that transfer required a site assessment or environmental audit. If such an audit or assessment was required, attach a copy of the report to this questionnaire.
8. This question concerns asbestos which is a hazardous substance used for insulation of buildings and other purposes. Because the bank and the borrower may not be able to determine whether asbestos was used, it may be necessary to consult a contractor that deals with asbestos removal in order to determine whether it has been used in that building. Generally speaking, older buildings are more likely to have asbestos insulation than buildings built within the last ten years.
9. This question requires that the borrower state whether underground storage tanks/lines have been tested for structural integrity, and if so, to attach copies of the results of the test. This question also requires that the applicant state whether there are underground storage tanks and lines on the property.
10. In answering this question on electrical transformers, switches, etc. the local supplier of electricity may have to be consulted to determine what types of devices are on the premises. If these devices have been inspected, please attach a copy of the inspection reports to this questionnaire. Please list and state the types of electrical transformers, switchers, capacitors or other comparable devices installed by the previous owner or by the local supplier of electricity in your area.

The purpose of this questionnaire is to determine whether there is or potentially will be an environmental problem with the subject property. Full disclosure of all information known to both the bank and the borrower, as well as information obtained from third parties, is necessary to make this determination. It is in the best interests of the SBA, the bank and the borrower to determine if there is a problem, or if there may be a potential problem in the future. If there is an environmental problem on the property the cleanup may be very costly, and in some instances far exceed the value of the property. This would have any adverse affect both upon the borrower, the bank, and SBA. The SBA appreciates your assistance in diligently completing this questionnaire.

ENVIRONMENTAL QUESTIONNAIRE

The following may be used as a guide to determine if any additional environmental investigation is needed. (i.e. Transactional Screening Analysis (TSA), Phase I or Phase II audit). The questionnaire was completed during an on-site collateral inspection of the real estate located at:

Business Name

Address

City, State, Zip code

1. Determine the prior, current, and planned uses for the subject property. If any of these operations involve the use or prior use of toxic chemicals, conduct a Phase I audit. (Discussions with current/prospective owners can help identify uses.)

Prior Use:
Toxic Chemicals?

Current Use:
Toxic Chemicals?

Planned Use:
Toxic Chemicals?

2. To the extent possible, determine the prior, current, and planned uses of ALL adjoining property. If any of these operations involve the use or prior use of toxic chemicals additional environmental testing may be required. (Discussions with current/prospective owners, as well as a visual check, can help identify uses.)

North of Site

Name of Business _____

Address of Business _____

Prior Use _____

Toxic Chemicals? _____

Current Use _____

Toxic Chemicals? _____

Planned Use _____

South of Site

Name of Business _____

Address of Business _____

Prior Use _____

Toxic Chemicals? _____

Current Use _____

Toxic Chemicals? _____

Planned Use _____

East of Site

Name of Business _____

Address of Business _____

Prior Use _____

Toxic Chemicals? _____

Current Use _____

Toxic Chemicals? _____

Planned Use _____

West of Site

Name of Business _____

Address of Business _____

Prior Use _____

Toxic Chemicals? _____

Current Use _____

Toxic Chemicals? _____

Planned Use _____

3. Conduct a visual inspection of the facility, preferably accompanied by current owners. The following observations may trigger the need for additional environmental investigation. (i.e. a Phase I audit)

Is there any evidence that chemicals are used in the operation of the facility?

Are there any discarded chemical containers present?

Are there any waste piles of any type (ask about buried waste and the presence of underground storage tanks)?

Is there any evidence of distressed vegetation or non-vegetative areas?

Any oily films on standing water?

Is there any discolored soil?

Are there any unusual odors?

4. Are all relevant environmental permits and/or notifications in place? If not, conduct a Phase I Audit. Local regulatory authorities could be consulted for assistance on requirements. **ATTACH COPIES OF PERMITS,**

5. Has the facility or location **ever** been involved in:

any citations, claims, or complaints regarding environmental problems?

any notices of violations?

any environmental clean up actions?

Discussions with the applicant, as well as the local regulatory authorities, can identify facility abuse. If yes on any point additional environmental investigation may be needed.

6. Has the real property or an adjacent property ever been used for industrial, manufacturing, refining, processing, or agricultural purposes?

If yes, describe:

7. What was the date of last transfer of ownership:

Was a pre-acquisition site assessment or environmental audit required?

If yes, please describe and attach copies of previous audits, inspections and any other relevant information:

8. Was asbestos used for insulation of buildings or any other purpose?

9. Have underground storage tanks/lines been tested for structural integrity? (include results of the testing)

10. Are electrical transformers, switches, capacitors, or other comparable devices on premises?

Have they been inspected for the presence of P.C.B. or other hazardous toxic substances.

If inspection reports have been made, include copies.

Lender's Report on Issues Covered by this Questionnaire:

(Attach additional sheets as needed. Attach copies of previous audits and inspections and any other relevant information.)

LENDER RECOMMENDATION:

Please recommend whether or not further environmental review is needed.

If there is a "Reasonable and prudent belief that there is no risk of contamination" no further environmental review is needed. If there is a reasonable and prudent belief that there is contamination, further testing is required.

Lender Signature

Date

Acknowledgement by the Borrower:

I acknowledge that I have read this questionnaire and have responded to the issues and questions to the best of my knowledge. I have prepared the answers to this questionnaire jointly with the bank and its representatives and I have made a full disclosure of my knowledge of suspected or actual environmental concerns regarding this property.

Business Name

BY: _____
(Title) Date